



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 25, 2008

Mr. William Lansdowne, Chief of Police
San Diego Police Department
1401 Broadway (MS 700)
San Diego, CA 92101

Dear Mr. Lansdowne:

Final Interim Audit Report—City of San Diego Police Department Avoid the 14 Grant Agreement AL6021

Enclosed is the final interim audit report on the City of San Diego Police Department's (City) Avoid the 14 Grant AL0621 for the period October 1, 2005 through March 31, 2007. The audit was performed under an interagency agreement between the Department of Finance, Office of State Audits and Evaluations (Finance), and the Office of Traffic Safety. Our audit included a review of grant revenue and expenditures, internal control, and compliance with grant contract provisions.

Except as noted in the *Findings and Recommendations* section of this report, the City has complied with the fiscal requirements of the grant, and its revenue and expenditures were fairly stated. The findings pertain to instances of non-compliance. The City's response is included in the enclosed report.

We appreciate the City's assistance and cooperation with this audit. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. William H. Terrell, Assistant Director of Administration, Office of Traffic Safety
Mr. Ron Villa, Director of Fiscal Operations, San Diego Police Department
Mr. Mark McCullough, Officer, San Diego Police Department Traffic Division

INTERIM GRANT AUDIT

City of San Diego Police Department
Avoid the 14
Grant Agreement AL0621

For the Interim Period October 1, 2005
through March 31, 2007

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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The Department of Finance, Office of State Audits and Evaluations, performed this interim grant audit under an interagency agreement with the Office of Traffic Safety (OTS). The purpose of the audit was to determine whether the City of San Diego Police Department (City) complied with the OTS grant agreement AL0621.

The audit objectives were as follows:

- To determine whether the City expended federal funds in accordance with the terms of the grant agreement and those provisions of law or regulations that could have a material effect on the financial statements or the grant.
- To determine whether the City's internal control allows for the accurate and timely development of accounting data needed to produce the *Statement of Revenue and Expenditures*.
- To verify the City's compliance with applicable laws, regulations, and contract requirements.
- To provide, as necessary, recommendations regarding the eligibility of funding and improving internal control.

This report is intended for the information and use of the City and OTS management and is not intended to be and should not be used by anyone other than the specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

STAFF:

Kimberly A. Tarvin, CPA
Manager

John R. Rogers, CPA
Supervisor

Michael Bratman
Nasira Quettawala
Auditors



INDEPENDENT AUDITOR'S REPORT

Mr. William Lansdowne, Chief of Police
San Diego Police Department
1401 Broadway (MS 700)
San Diego, CA 92101

We have audited the accompanying *Statement of Revenue and Expenditures* (Statement) of the City of San Diego Police Department (City), in accordance with the Office of Traffic Safety's (OTS) grant agreement AL0621 for the interim period October 1, 2005 through March 31, 2007. The Statement was prepared from the City's records and is the responsibility of the City's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 3, for the purpose of determining the City's fiscal compliance with the requirements of grant agreement AL0621. The Statement is not intended to be a presentation of the City's total revenue and expenditures.

As noted in the *Findings and Recommendations* section of this report, our examination identified \$19,660 in unallowable indirect expenses charged to the aforementioned grant.

In our opinion, except for the effects of the unallowable indirect costs as discussed in the preceding paragraph, the Statement presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement number AL6021 for the period October 1, 2005 through March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed instances of noncompliance, as described in the *Findings and Recommendations* section of this report, that are required to be reported under *Generally Accepted Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the OTS and City management and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.



David Botelho, CPA
Chief, Office of State Audits and Evaluations
(916) 322-2985

January 8, 2008

STATEMENT OF REVENUE AND EXPENDITURES

**City of San Diego Police Department
Avoid the 14
Grant Agreement AL0621
For the Interim Period October 1, 2005 through March 31, 2007**

<u>Description</u>	<u>Claimed as of March 31, 2007</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$296,079	\$296,079	\$ 0
 Expenditures:			
Personnel	132,282	112,622	19,660
Travel	861	861	0
Contractual Services	142,369	142,369	0
Other Direct Costs	<u>20,567</u>	<u>20,567</u>	<u>0</u>
 Total Expenditures	<u>296,079</u>	<u>276,419</u>	<u>19,660</u>
 Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 19,660</u>	<u>\$ 19,660</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**City of San Diego Police Department
Avoid the 14
Grant Agreement AL0621
For the Interim Period October 1, 2005 through March 31, 2007**

NOTE 1 Definition of the Reporting Entity

The City of San Diego (City), incorporated in 1850, is the second largest city in California. The City is governed by the Mayor and eight council members. The City's reporting entity includes all significant organizations and departments over which the Mayor and council members have oversight and budgeting responsibilities. The City's Police Department has responsibility for implementing this grant project.

NOTE 2 Program Information

The Business, Transportation, and Housing Agency's Office of Traffic Safety (OTS) is charged with the responsibility of obtaining and distributing federal funds in an effort to carry out the direction of the National Highway Safety Act. The federal funds are designed to mitigate traffic safety problems as defined by the Highway Safety Plan. Currently, there are eight program priority areas earmarked for grant funding: Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, Emergency Medical Services, Traffic Records, Roadway Safety, Motorcycle Safety, and Police Traffic Services.

NOTE 3 Significant Accounting Policies

A. Basis of Presentation

The *Statement of Revenue and Expenditures* (Statement) was prepared from the City's accounts and financial transactions. The Statement summarizes the City's revenue and expenditures pertaining to grant agreement AL0621 for the interim period October 1, 2005 through March 31, 2007. This statement is not intended to represent all of the City's revenue and expenditures.

B. Basis of Accounting

The City's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenue is recorded when it becomes measurable and available, and expenditures are recorded at the time the liabilities are incurred.

NOTE 4 Description of Grant Agreement AL0621

The OTS awarded a \$1.15 million grant for the period October 1, 2005 through January 31, 2009 to fund the three-year campaign to reduce underage drinking and driving in San Diego County. The campaign utilized highly coordinated enforcement operations, a media campaign, and community organizing efforts to raise awareness and support for targeted enforcement efforts and public policy that discourages underage drinking and driving.

FINDINGS AND RECOMMENDATIONS

During the audit of the City of San Diego Police Department (City) grant agreement AL0621, the following instances of noncompliance with the Office of Traffic Safety (OTS) grant agreement requirements were identified:

FINDING 1 Ineligible Indirect Costs of \$19,660 claimed

Condition: The City of San Diego Police Department (City) claimed \$19,660 in ineligible indirect costs. These costs were identified as report overhead in the Job Order Detail Transaction Listing Report. Failure to comply with any term or condition of the contract agreement may result in withholding or disallowing grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Criteria: The OTS grant agreement AL0621 does not allow for billing of indirect costs to the grant.

Recommendation: Ensure that claims for reimbursement include only allowable costs incurred during the grant period. The \$19,660 in eligible costs should be returned to OTS or reduced on a future claim.

FINDING 2 Late Progress Reports

Condition: The City did not comply with the reporting requirements for the Quarterly Performance Reports (QPR). Of the six QPRs submitted to OTS, five were from 86 to 267 days late. Late QPRs impede OTS' ability to monitor the City's progress in meeting the grant objectives. Furthermore, failure to comply with any term or condition of the contract agreement may result in withholding or disallowing grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Criteria: OTS Grant Program Manual Volume II, Chapter 7, Section 7.3 states that one copy of the QPR must be provided to OTS no later than 30 days after the end of each quarter or partial quarter that the grant is active.

Recommendation: Provide training to additional staff to ensure the assigned staff is unavailable to prepare the QPR.

RESPONSE



THE CITY OF SAN DIEGO

IN REPLYING
PLEASE GIVE
OUR REF. NO.

April 2, 2008

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Mr. Botelho

In response to the draft interim report on the City of San Diego Police Department's Avoid the 14 Grant AL0621, for the period October 1, 2005 through March 31, 2007, we provide the following:

Finding 1

The San Diego Police Department, in conjunction with the City Comptroller's Office, has reviewed and agrees with finding number 1 that \$19,660 was erroneously claimed for indirect costs. The CA Department of Finance's recommendation to "ensure that claims include only allowable costs incurred during the grant period" will be implemented immediately. The City's reporting documents that contributed to the overstatement have been identified. All financial personnel will ensure that costs not included in the approved budget document will not be charged to the grant.

Finding 2

The San Diego Police Department has reviewed its personnel that coordinate and manage grants as well those who are responsible for writing any grant reports. Historically, SDPD Traffic Division had one full-time officer whose responsibilities included writing grant reports. As a result of department review, the Traffic Division has trained additional officers in writing these reports to ensure that reports will be submitted timely if the primary officer is unable to complete them. All reports are kept in hard copy in the Traffic Safety Office, as well in electronic form on SDPD's computer network. Outlook calendar will also be implemented to ensure reminders prompt the necessary employee when the quarterly reports are due.



Office of the Chief of Police

1401 Broadway • San Diego, CA 92101-5729

Tel (619) 531-2000



THE CITY OF SAN DIEGO

IN REPLYING
PLEASE GIVE
OUR REF. NO.

Thank you for the opportunity to review our internal procedures and respond to your findings. We look forward to continued cooperation with the Office of Traffic Safety and the Office of State Audits and Evaluations.

Sincerely,

Ronald H. Villa
Program Manager

BH/bh

cc: Faye Howard-Hall, Senior Accountant, Auditor & Comptroller
Donna Warlick, Senior Management Analyst, SDPD
Mark Mc Cullough, POII, SDPD
Brian Hojnacki, Assistant Management Analyst, SDPD



Office of the Chief of Police

1401 Broadway • San Diego, CA 92101-5729

Tel (619) 531-2000



DOF Audit Details and Review

GRANT #	AUDIT #	AGENCY	YEAR AUDIT CONDUCTED	AUDIT STATUS	DATE FINAL REPORT	DATE CLOSEOUT LETTER MAILED	AUDIT RESOLUTION DATE
AL0621	1	San Diego	2007	Audit Closed	4/25/2008		9/3/2008
ITEM #	DATE	FINDINGS	RESPONSE		FINDINGS RESOLUTION DATE		
1	4/25/2008	FINDING 1- INELIGIBLE INDIRECT COSTS OF \$19,560 CLAIMED	<p>Grantee agrees with finding. grantee will ensure that claims include only allowable costs incurred during the grant period; Claim 10 reduced by \$19,660.47 for DOF audit exception (dlh) 09/03/08</p>				
2	4/25/2008	FINDING 2 -LATE PROGRESS REPORTS	<p>Additional personnel have been trained in writing reports to ensure that reports will be submitted timely</p>				